

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 57776

NORTH CENTRAL WASHINGTON REGIONAL SUPPORT NETWORK

Grant County, Washington

July 1, 1993 Through June 30, 1995

TABLE OF CONTENTS

	Page
<hr/> Management Section <hr/>	
Independent Auditor's Report On Compliance With Laws And Regulations At The Financial Statement Level (Plus Additional State Compliance Requirements Per RCW 43.09.260)	M-1
Independent Auditor's Report On Internal Control Structure At The Financial Statement Level	M-3
<hr/> Financial Section <hr/>	
Independent Auditor's Report On Financial Statements And Additional Information	F-1
Financial Statements:	
Fund Resources And Uses Arising From Cash Transactions - 1995	F-3
Fund Resources And Uses Arising From Cash Transactions - 1994	F-4
Notes To Financial Statements	F-5
Additional Information:	
Schedule Of State Financial Assistance - 1995	F-8
Schedule Of State Financial Assistance - 1994	F-9
Notes To Schedules Of State Financial Assistance	F-10
<hr/> Single Audit Section <hr/>	
Independent Auditor's Report On Supplementary Information Schedule Of Federal Financial Assistance	S-1
Schedule Of Federal Financial Assistance - 1995	S-2
Schedule Of Federal Financial Assistance - 1994	S-3
Notes To Schedules Of Federal Financial Assistance	S-4
Independent Auditor's Report On Compliance With The General Requirements Applicable To Federal Financial Assistance Programs	S-5
Independent Auditor's Report On Compliance With Specific Requirements Applicable To Nonmajor Federal Financial Assistance Program Transactions	S-7
Independent Auditor's Report On Internal Control Structure Used In Administering Federal Financial Assistance Programs	S-8
Status Of Prior Findings	S-11
<hr/> Addendum <hr/>	
Directory Of Officials	A-1

NORTH CENTRAL WASHINGTON REGIONAL SUPPORT NETWORK
Grant County, Washington
July 1, 1993 Through June 30, 1995

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Council of Governments
North Central Washington Regional Support Network
East Wenatchee, Washington

We have audited the financial statements, as listed in the table of contents, of the North Central Washington Regional Support Network, Grant County, Washington, as of and for the fiscal years ended June 30, 1995 and 1994, and have issued our report thereon dated July 29, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the North Central Washington Regional Support Network is the responsibility of the regional support network's (RSN) management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the RSN's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the RSN complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the RSN's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the RSN and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of management and the council of governments and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

July 29, 1996

NORTH CENTRAL WASHINGTON REGIONAL SUPPORT NETWORK
Grant County, Washington
July 1, 1993 Through June 30, 1995

Independent Auditor's Report On Internal Control Structure
At The Financial Statement Level

Council of Governments
North Central Washington Regional Support Network
East Wenatchee, Washington

We have audited the financial statements of the North Central Washington Regional Support Network, Grant County, Washington, as of and for the fiscal years ended June 30, 1995 and 1994, and have issued our report thereon dated July 29, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the RSN is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the RSN, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a reportable condition in which the

design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the council of governments and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

July 29, 1996

NORTH CENTRAL WASHINGTON REGIONAL SUPPORT NETWORK
Grant County, Washington
July 1, 1993 Through June 30, 1995

Independent Auditor's Report On Financial Statements And Additional Information

Council of Governments
North Central Washington Regional Support Network
East Wenatchee, Washington

We have audited the accompanying statements of Fund Resources and Uses Arising from Cash Transactions of the various funds of the North Central Washington Regional Support Network, Grant County, Washington, for the fiscal years ended June 30, 1995 and 1994. These financial statements are the responsibility of the RSN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the RSN prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of the North Central Washington Regional Support Network for the fiscal years ended June 30, 1995 and 1994, on the cash basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of State Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been

subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

July 29, 1996

NORTH CENTRAL WASHINGTON REGIONAL SUPPORT NETWORK
Grant County, Washington
July 1, 1993 Through June 30, 1995

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Council of Governments
North Central Washington Regional Support Network
East Wenatchee, Washington

We have audited the financial statements of the North Central Washington Regional Support Network, Grant County, Washington, as of and for the fiscal years ended June 30, 1995 and 1994, and have issued our report thereon dated July 29, 1996. These financial statements are the responsibility of the RSN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the North Central Washington Regional Support Network taken as a whole. The accompanying Schedules of Federal Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The information in the schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

July 29, 1996

NORTH CENTRAL WASHINGTON REGIONAL SUPPORT NETWORK
Grant County, Washington
July 1, 1993 Through June 30, 1995

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Council of Governments
North Central Washington Regional Support Network
East Wenatchee, Washington

We have audited the financial statements of the North Central Washington Regional Support Network, Grant County, Washington, as of and for the fiscal years ended June 30, 1995 and 1994, and have issued our report thereon dated July 29, 1996.

We have applied procedures to test the RSN's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedules of Federal Financial Assistance, for the fiscal years ended June 30, 1995 and 1994:

- Political activity
- Civil rights
- Cash management
- Allowable costs/cost principles
- Administrative requirements, including subrecipient monitoring

The following requirements were determined to be not applicable to its federal financial assistance programs:

- Davis-Bacon Act
- Relocation assistance and real property acquisition
- Federal financial reports
- Drug-Free Workplace Act

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the RSN's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the RSN had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the council of governments and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not

limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

July 29, 1996

NORTH CENTRAL WASHINGTON REGIONAL SUPPORT NETWORK
Grant County, Washington
July 1, 1993 Through June 30, 1995

Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Nonmajor Federal Financial Assistance Program Transactions

Council of Governments
North Central Washington Regional Support Network
East Wenatchee, Washington

We have audited the financial statements of the North Central Washington Regional Support Network, Grant County, Washington, as of and for the fiscal years ended June 30, 1995 and 1994, and have issued our report thereon dated July 29, 1996.

In connection with our audit of the financial statements of the RSN and with our consideration of the RSN's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to its nonmajor federal financial assistance programs for the fiscal years ended June 30, 1995 and 1994. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the RSN's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that the North Central Washington Regional Support Network had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the council of governments and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

July 29, 1996

NORTH CENTRAL WASHINGTON REGIONAL SUPPORT NETWORK
Grant County, Washington
July 1, 1993 Through June 30, 1995

**Independent Auditor's Report On Internal Control Structure Used In
Administering Federal Financial Assistance Programs**

Council of Governments
North Central Washington Regional Support Network
East Wenatchee, Washington

We have audited the financial statements of the North Central Washington Regional Support Network, Grant County, Washington, as of and for the fiscal years ended June 30, 1995 and 1994, and have issued our report thereon dated July 29, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit, we considered the RSN's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated July 29, 1996.

The management of the RSN is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the

structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
 - Cash receipts
 - Accounts payable
 - Payroll
- **General Requirements**
 - Political activity
 - Civil rights
 - Cash management
 - Allowable costs/cost principles
 - Administrative requirements, including subrecipient monitoring
- **Specific Requirements**
 - Types of services
- **Claims For Advances And Reimbursements**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
 - Cash disbursements
 - Receivables
 - Purchasing and receiving
 - Inventory control
 - Property, plant, and equipment
 - General ledger
- **General Requirements**
 - Davis-Bacon Act
 - Relocation assistance and real property acquisition
 - Federal financial reports
 - Drug-Free Workplace Act
- **Specific Requirements**
 - Eligibility
 - Matching, level of effort, earmarking
 - Reporting
 - Special requirements
- **Amounts Claimed Or Used For Matching**

During the fiscal year ended June 30, 1995, the RSN had no major federal financial assistance programs and expended 85 percent of its total federal financial assistance under the following nonmajor federal financial assistance program: Mental Health Services Block Grant (CFDA 93.958).

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the aforementioned nonmajor program. Our procedures were less in scope than would be necessary to render an opinion on these internal control structures policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses, as defined above.

This report is intended for the information of management and the council of governments and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

July 29, 1996

NORTH CENTRAL WASHINGTON REGIONAL SUPPORT NETWORK
Grant County, Washington
July 1, 1993 Through June 30, 1995

Status Of Prior Findings

The findings contained in the prior audit report were resolved as follows:

1. Public Funds Were Misappropriated At North Central Washington Regional Support Network

Resolution: The North Central Washington Regional Support Network (NCWRSN) has eliminated the use of credit cards. In addition, policies and procedures have been implemented over petty cash and voucher processing. The former bookkeeper was found guilty of first degree theft in Douglas County Superior Court and she is currently repaying the NCWRSN in accordance with the judgement.

2. The North Central Washington Regional Support Network Should Maintain Adequate Accounting Records

Resolution: Policies and procedures have been implemented to improve financial statements and the related records.

3. The North Central Washington Regional Support Network Should Restrict Credit Card Purchases To Authorized Expenditures

Resolution: The law restricting the use of credit cards to authorized travel has been changed. However, the NCWRSN no longer uses credit cards.